

TOWN OF POCOLA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

TOWN OF POCOLA, OKLAHOMA

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TOWN OF POCOLA, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Mayor	Don Didier
Vice Mayor	Cindy Wilson
Member	Phil Smith
Member	Jewel Clark
Member	Gaylon Freeman

Town Clerk & Treasurer

John Limbocker

Town Attorney

Ronald H. Lawson

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Pocola, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Pocola, Oklahoma, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pocola, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Pocola's basic financial statements. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis, the budgetary comparison schedules, the introductory section, and the other supplementary information section listed in the accompanying table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2013, on our consideration of the Town of Pocola's internal control over financial reporting and on our tests of

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
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WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

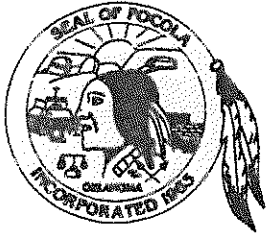
its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Pocola's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

December 26, 2013



Town of Pocola

P.O. BOX 397 (918) 436-2388
Pocola, Oklahoma 74902

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the Town of Pocola's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$204,489 for the year, resulting in an increase in total net position of 7.84 percent over the previous year.
- Grant receipts for the General Fund totaled \$17,562 with the funds expended for EMS operations, police overtime and police equipment. Grant receipts fire totaled \$4,484 with the funds expended for fire operations. See Note 3.A. in the notes to the financial statements.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (*on pages 14-16*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

Fund Financial Statements: The fund financial statements (*starting on page 17*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as electric, water, sewer and sanitation services.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 2 (*Unaudited*)

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This Management's Discussion and Analysis and (*starting on page 43*) Governmental Funds Budgetary Comparison Schedules represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 3 (*Unaudited*)

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Pocola Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and other legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Pocola
- Pocola Municipal Authority

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 through 16. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities. Most of the Town's basic services are reported here, including the police, fire, general administration, streets, parks, swimming pool, airport, civil defense, community center, industrial building and library. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 4 (Unaudited)

Business-type activities. The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's electric, water, sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

The Fund Financial Statements—Our analysis of the Town's major funds begins on page 11. The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the each fund financial statement. The Town considers the General Fund and the Street Utility Sales Tax Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Public Works Authority Utilities Fund.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 5 (Unaudited)

Fiduciary funds— Normally are used to account for assets that are held in a trustee or fiduciary capacity such as utility deposits, pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position—Modified Cash Basis

TOWN OF POCOLA'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	564,264	783,977	197,381	160,556	761,645	944,533
Capital Assets	1,300,167	1,042,692	1,460,587	1,347,135	2,760,754	2,389,827
Total Assets	<u>1,864,431</u>	<u>1,826,669</u>	<u>1,657,968</u>	<u>1,507,691</u>	<u>3,522,399</u>	<u>3,334,360</u>
Long term liabilities	22,903	33,753	648,687	652,312	671,590	686,065
Other liabilities	14,010	14,585	25,045	26,445	39,055	41,030
Total Liabilities	<u>36,913</u>	<u>48,338</u>	<u>673,732</u>	<u>678,757</u>	<u>710,645</u>	<u>727,095</u>
Net Position:						
Net investment in capital assets,						
net of related debt	1,277,264	1,008,939	811,900	694,823	2,089,164	1,703,762
Restricted	352,070	560,165	25,397	25,278	377,467	585,443
Unrestricted	198,184	209,227	146,939	108,833	345,123	318,060
Total Net Position	<u>1,827,518</u>	<u>1,778,331</u>	<u>984,236</u>	<u>828,934</u>	<u>2,811,754</u>	<u>2,607,265</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from \$2,607,265 to \$2,811,754 between fiscal years 2012 and 2013. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities increased \$49,187 and business-type activities increased by \$155,302.

Net position of the Town's governmental activities increased to \$1,827,518. However, \$1,629,334 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position was only \$198,184 at the end of this year. The net position of the Town's business-type activities increased to \$984,236. However, \$837,297 of that net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, sewer, and so on). Consequently, unrestricted net position was \$146,939 at the end of this year.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 6 (Unaudited)

TOWN OF POCOLA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2103</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	369,316	272,990	332,517	306,081	701,833	579,071
Operating grants and contributions	22,046	9,413			22,046	9,413
Capital grants and contributions					-	-
General revenues:						
Sales tax	605,530	725,516			605,530	725,516
Use tax	95,165	92,183			95,165	92,183
Franchise tax	182,989	180,810			182,989	180,810
Cigarette tax	7,868	10,380			7,868	10,380
Intergovt. Revenue	31,356	29,082			31,356	29,082
Investment earnings	1,329	1,683	293	310	1,622	1,993
Gain (loss) on sale of assets	19,000	(832)			19,000	(832)
Miscellaneous	50,115	53,207	6,546	1,811	56,661	55,018
Total revenues	<u>1,384,714</u>	<u>1,374,432</u>	<u>339,356</u>	<u>308,202</u>	<u>1,724,070</u>	<u>1,682,634</u>
Expenses:						
General government and administration	237,890	231,010			237,890	231,010
Public safety	805,075	752,316			805,075	752,316
Transportation	325,031	236,124			325,031	236,124
Cultural and recreational	2,490	6,047			2,490	6,047
Interest on long term debt					-	-
Sewer			322,897	303,287	322,897	303,287
Total expenses	<u>1,370,486</u>	<u>1,225,497</u>	<u>322,897</u>	<u>303,287</u>	<u>1,693,383</u>	<u>1,528,784</u>
Increases in net position before transfers	14,228	148,935	16,459	4,915	30,687	153,850
Capital contributions			173,802	25,000	173,802	
Transfers	34,959	(25,240)	(34,959)	25,240	-	-
Net position - July 1	<u>1,778,331</u>	<u>1,654,636</u>	<u>828,934</u>	<u>773,779</u>	<u>2,607,265</u>	<u>2,428,415</u>
Net position - June 30	<u>1,827,518</u>	<u>1,778,331</u>	<u>984,236</u>	<u>828,934</u>	<u>2,811,754</u>	<u>2,582,265</u>

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 7 *(Unaudited)*

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended June 30, 2013, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$1,370,486. Of these total expenses, taxpayers and other general revenues funded \$1,028,311, while those directly benefiting from the program funded \$269,316, from charges for services and \$22,046 from grants and other contributions.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions of \$9,620, the sewer activities need to be examined more closely. The sewer department is burdened with combined debt interest expense of \$24,471 and depreciation expense of approximately \$69,507. However, miscellaneous revenues of \$6,546, contributions of \$173,802 and annual operating transfers in of \$65,241 eliminate the operating deficit.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues, and net transfers of \$1,156,295 and expenditures of \$1,167,338 resulting in a decrease in fund balance of \$11,043. The general fund revenues increased over the prior year by \$72,060. The general fund expenditures increased over the prior year by \$86,963.
- The Street and Alley Fund reported revenues of \$249,707 and expenditures of \$360,134 resulting in a decrease in fund balance of \$110,427. The street revenues decreased over the prior year by \$34,351. The street expenditures increased over the prior year by \$96,921.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 8 (Unaudited)

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget. For the year ended June 30, 2013, General Fund expenditures were \$382,744 under final appropriations, while actual resources available for appropriation were \$35,483 over the final budgeted amount. The budget comparison schedules on pages 43 thru 46 and 50 reflect accounts for the initial budgeted expenditures, final budgeted expenditures and comparison to actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2013, the Town had \$1,300,167 invested in capital assets, net of depreciation, including police street, and fire equipment, and buildings. This represents a net increase of \$257,477, or 24.69 percent, over last year. The Public Works Authority had \$1,460,580 invested in capital assets, net of depreciation including the sewer systems and buildings. This represents a net increase of \$113,452 or 8.42 percent, over last year.

This year's more significant capital assets additions include:

General Fund - General Government Equipment - 2013 TekStar Sign	15,575
General Fund - Police Vehicles - 2013 Ford Intercept	35,483
General Fund - Police Equipment - 7 Motorola Walkies	9,391
General Fund - Park Buildings - Bathroom	20,698
General Fund - Park Equipment - Playground Equipment	10,653
Street Fund - Street Buildings - Pole Barn Roof	13,990
Street Fund - Street Vehicles - 2013 Chevy Crew Cab & Chassis	42,386
Fire Fund - Fire Equipment - New Server	3,796
Fire Fund - Fire Vehicle - 2011 International 4400 Pumper	274,235
Municipal Improvement Authority- Vehicles - 2011 Chevy Tahoe	18,500
Municipal Improvement Authority- Construction in Process - 2013 Sewer Project	150,566

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Construction in process	0	1,540	150,567	0	150,567	1,540
Land	30,000	30,000	167,331	164,831	197,331	194,831
Buildings	278,302	251,905	92,329	95,193	370,631	347,098
Vehicles, machinery and equipment	712,828	470,686	67,097	56,007	779,925	526,693
Infrastructure	279,037	288,559	0	0	279,037	288,559
Utility property & improvements	0	0	983,263	1,031,104	983,263	1,031,104
Total	<u>1,300,167</u>	<u>1,042,690</u>	<u>1,460,587</u>	<u>1,347,135</u>	<u>2,760,754</u>	<u>2,389,825</u>

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 9 *(Unaudited)*

Long-Term Debt—Modified Cash Basis

At June 30, 2013, the Town had \$671,590 in long term debt arising from modified cash basis transactions compared to \$686,064 at June 30, 2012. At June 30, 2013, \$22,903 of the debt is related to governmental activities and \$648,687 is related to business-type activities. (See table below). The overall decrease in debt is 2.11 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

Primary Government Long-Term Debt -- Modified Cash Basis

	<u>2012</u>	<u>2013</u>
Governmental debt:		
Lease purchase Ford Motor Credit	<u>\$ 33,752</u>	<u>\$ 22,903</u>
	<u>33,752</u>	<u>22,903</u>
Business-type debt:		
Central National Bank Note	132,305	92,615
Welch State Bank Note	-	86,102
1991 OWRB Note	126,350	112,350
2001 OWRB Note	<u>393,657</u>	<u>357,620</u>
Total business-type debt	<u>652,312</u>	<u>648,687</u>
Total all debt	<u><u>\$ 686,064</u></u>	<u><u>\$ 671,590</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending June 30, 2013, the Town's budget is fairly consistent with this year except for the following capital improvements.

The Pocola Municipal Authority plans to undertake a sewer collection system improvement project in the amount of \$1,700,000 during the year. The improvements will be funded by a \$800,000 HUD grant and a \$900,000 Choctaw Nation grant.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 204 S. Pocola Blvd., Pocola, Oklahoma or telephone at (918) 436-2388.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$558,589	\$171,374	\$729,963
Due from other funds	5,675	610	6,285
Total current assets	564,264	171,984	736,248
Noncurrent Assets:			
Restricted investments		25,397	25,397
Capital assets:			
Land	30,000	167,331	197,331
Other capital assets, net of accumulated	1,270,167	1,293,256	2,563,423
Total noncurrent assets	1,300,167	1,485,984	2,786,151
Total assets	1,864,431	1,657,968	3,522,399
LIABILITIES			
Current Liabilities:			
Payroll taxes payable	5,321	813	6,134
Due to other funds	6,286		6,286
Due to other governments	2,403		2,403
Due within one year	11,091	93,658	104,749
Total current liabilities	25,101	94,471	119,572
Noncurrent Liabilities:			
Long term liabilities			
Refundable deposits		24,232	24,232
Capital lease payable	11,812		11,812
Notes payable		555,029	555,029
Total noncurrent liabilities	11,812	579,261	591,073
Total Liabilities	36,913	673,732	710,645
NET POSITION			
Net investment in capital assets	1,277,264	811,900	2,089,164
Restricted for:			
Street and Alley	128,449		128,449
Fire Department	184,207		184,207
911	39,414		39,414
Debt service		25,397	25,397
Unrestricted	198,184	146,939	345,123
Total Net Position	\$1,827,518	\$984,236	\$2,811,754

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General Government:				
Clerk	\$0			0
General Government	237,890	\$25,634		(212,256)
Total general government	237,890	25,634	0	(212,256)
Public Safety:				
Police	556,387	303,623	10,062	(242,702)
EMS	25,091		7,500	(17,591)
Flood Plain	0			0
Fire	204,169	620	4,484	(199,065)
911	19,428			(19,428)
Total Public safety	805,075	304,243	22,046	(478,786)
Transportation:				
Streets	325,031	39,439		(285,592)
Total transportation	325,031	39,439	0	(285,592)
Cultural, parks and recreation:				
Parks	2,490			(2,490)
Total cultural, parks and recreation	2,490	0	0	(2,490)
Total governmental activities	1,370,486	369,316	22,046	(979,124)
Business-Type Activities:				
Sewer	322,897	332,517		9,620
Total business-type activities	322,897	332,517	0	9,620
Total	\$1,693,383	\$701,833	\$22,046	(\$969,504)

See accompanying notes to the basic financial statements.

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Changes in Net Position

	Governmental (\$979,124)	Business-Type \$9,620	Total (\$969,504)
General revenues:			
Taxes:			
Sales Tax	605,530		605,530
Use Tax	95,165		95,165
Franchise and public service taxes	182,989		182,989
Cigarette Tax	7,868		7,868
Intergovernmental revenue not restricted to specific programs	31,356		31,356
Interest income	1,329	293	1,622
Capital contribution	0	173,802	173,802
Gain (loss) on sale of assets	19,000		19,000
Miscellaneous	50,115	6,546	56,661
Transfers internal activity	34,959	(34,959)	0
Total general revenues and transfers	<u>1,028,311</u>	<u>145,682</u>	<u>1,173,993</u>
 Change in net position	 49,187	 155,302	 204,489
 Net position-beginning	 1,778,331	 828,934	 2,607,265
 Net position- ending	 <u>\$1,827,518</u>	 <u>\$984,236</u>	 <u>\$2,811,754</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General Fund</u>	<u>Street And Alley</u>	<u>Municipal Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash, and cash equivalents	\$211,448	\$126,560	\$184,470	\$36,111	\$558,589
Due from other funds		2,372		3,303	5,675
Total assets	<u>211,448</u>	<u>128,932</u>	<u>184,470</u>	<u>39,414</u>	<u>\$564,264</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	4,575	483	263		5,321
Due to other funds	6,286				6,286
Due to other governments	2,403				2,403
Total Liabilities	<u>13,264</u>	<u>483</u>	<u>263</u>	<u>0</u>	<u>14,010</u>
Fund Balances:					
Restricted for:					
Street and Alley		128,449			128,449
Fire Department			184,207		184,207
911				39,414	39,414
Assigned	135,687				135,687
Unassigned	62,497				62,497
Total Fund Balances	<u>198,184</u>	<u>128,449</u>	<u>184,207</u>	<u>39,414</u>	<u>550,254</u>
Total Liabilities and Fund Balances	<u>\$211,448</u>	<u>\$128,932</u>	<u>\$184,470</u>	<u>\$39,414</u>	

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$2,697,698, net of accumulated depreciation of \$1,397,531 are not financial resources and, therefore, are not reported in funds 1,300,167

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. (22,903)

Net position of governmental activities \$1,827,518

See accompanying notes to the financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Street And Alley</u>	<u>Municipal Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	680,783	201,843		8,926	891,552
Intergovernmental	48,918	39,439	4,484		92,841
Charges for services	2,311		620		2,931
Fines and forfeitures	303,623				303,623
Licenses and permits	23,323				23,323
Interest income	442	326	487	74	1,329
Miscellaneous	61,412	8,099	938	233	70,682
Total Revenues	<u>1,120,812</u>	<u>249,707</u>	<u>6,529</u>	<u>9,233</u>	<u>1,386,281</u>
Expenditures:					
Current:					
General Government:					
Clerk					0
General Government	232,326				232,326
Public Safety:					
Police	517,116				517,116
EMS	21,200				21,200
Fire			93,925		93,925
911				7,880	7,880
Flood Plain					0
Street and Public Works:					
Streets		301,360			301,360
Culture and Recreation:					
Parks	1,627				1,627
Capital Outlay	113,394	58,774	279,712		451,880
Debt Service	48,547				48,547
Total Expenditures	<u>934,210</u>	<u>360,134</u>	<u>373,637</u>	<u>7,880</u>	<u>1,675,861</u>
Excess (deficiency) of revenues over expenditures	186,602	(110,427)	(367,108)	1,353	(289,580)
Other Financing Sources (Uses):					
Capital lease proceeds	35,483				35,483
Transfers in			302,046		302,046
Transfers out	(233,128)		(33,959)		(267,087)
Total Other Financing Sources (Uses)	<u>(197,645)</u>	<u>0</u>	<u>268,087</u>	<u>0</u>	<u>70,442</u>
Net change in fund balances	<u>(11,043)</u>	<u>(110,427)</u>	<u>(99,021)</u>	<u>1,353</u>	<u>(219,138)</u>
Fund balances - beginning	209,227	238,876	283,228	38,061	769,392
Fund balances - ending	<u>198,184</u>	<u>128,449</u>	<u>184,207</u>	<u>39,414</u>	<u>550,254</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances -total governmental funds					(\$219,138)
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					
Capital asset purchases capitalized					451,880
Depreciation expense					(192,837)
Debt service principal payments are not considered expenditures in the governmental activities report					46,332
Lease proceeds are not considered expenditures in the governmental activities report					(35,483)
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)					(1,567)
					<u>268,325</u>
					<u>\$49,187</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
June 30, 2013

	<u>Pocola Municipal Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$171,374
Due from other funds	610
Total current assets	<u>171,984</u>
Noncurrent Assets:	
Restricted investments	25,397
Capital Assets	
Land	167,331
Other capital assets, net of accumulated depreciation	1,293,256
Total noncurrent assets	<u>1,485,984</u>
Total Assets	<u>1,657,968</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	813
Long Term Liabilities - current portion	93,658
Total current liabilities	<u>94,471</u>
Noncurrent Liabilities:	
Refundable deposits	24,232
Long Term Liabilities - long term portion	555,029
Total noncurrent liabilities	<u>579,261</u>
Total Liabilities	<u>673,732</u>
NET POSITION	
Net investment in capital assets	811,900
Restricted for debt service	25,397
Unrestricted	146,939
Total net position	<u>984,236</u>

See accompanying notes to the basic financial statements.

**TOWN OF POCOLA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Pocola Municipal Authority
Operating Revenues:	
Charges for services:	
Sewer charges	331,722
Sewer tap charges	795
Miscellaneous	6,546
Total Operating Revenues	<u>339,063</u>
Operating Expenses:	
Sewer operations	228,919
Depreciation	69,507
Total Operating Expenses	<u>298,426</u>
Net Operating Income (Loss)	40,637
Non-Operating Revenue (Expense):	
Investment income	293
Interest expense and fiscal agent fees	(24,471)
Total Non-Operating Revenue (Expense)	<u>(24,178)</u>
Net Income (Loss) Before Operating Transfers	16,459
Capital contributions	173,802
Transfers In	65,241
Transfers Out	(100,200)
Changes in net position	<u>155,302</u>
Total Net Position-Beginning	828,934
Total Net Position-Ending	<u>\$984,236</u>

See accompanying notes to the basic financial statements.

**TOWN OF POCOLA, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Pocola Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$339,063
Payments to suppliers	(153,544)
Payments to employees	(75,375)
Net Cash Provided by Operating Activities	<u>110,144</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(610)
Decrease in payroll liabilities	(927)
Decrease in due to depositors	(473)
Transfers from other funds	65,241
Transfers to other funds	(100,200)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(36,969)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	173,802
Purchases of capital assets	(182,959)
Principal paid on capital debit	(103,825)
Interest and fiscal agent fees paid on capital debit	(24,471)
Net Cash Used in Capital and Related Financing Activities	<u>(137,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	293
Note Proceeds	100,200
Net Cash Provided by Investing Activities	<u>100,493</u>
Net Increase in Cash and Cash Equivalents	36,215
Balance- beginning of the year	160,556
Balance- end of the year	<u><u>\$196,771</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$40,637
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	69,507
Net cash provided by operating activities	<u><u>\$110,144</u></u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

Also, for the fiscal year ended June 30, 2013, the town implemented the new financial reporting requirements of GASB statement 34. As a result, an entirely new financial presentation format has been implemented as described in Note 1.B following.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is composed of the following:

Primary Government:	Town of Pocola
Component Units:	Pocola Municipal Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Pocola Municipal Authority	<i>Created February 8, 1972 to finance, develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, garbage, trash disposal, recreation and industrial facilities, or other forms or types of public and municipal services within or without the corporate boundaries of the Town of Pocola.</i>	<i>PMA Enterprise Fund</i>

The component units do not issue separately audited component unit financial statements.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has two fiduciary funds that account for municipal court bonds and utility customer deposits. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

Capital Project Funds

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following blended component unit enterprise fund that is reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Pocola Municipal Authority	Accounts for the activities of the public trust in providing wastewater and garbage services to the public.

Fiduciary Fund Types

Agency Funds

Agency Funds account for assets held by the Town in a custodial capacity. The reporting entity includes two agency funds. The Municipal Court Fund used to account for court bonds and fees due to other governments and the Meter Deposit Fund used to account for customer utility deposits. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and each major fund and the aggregate remaining fund information are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Land	N/A
Buildings	40 years
Equipment	5-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants, animal control licenses.
Transportation	Streets commercial vehicle and gasoline excise tax shared by the State

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Those related to goods and services type transactions are classified as “due to and from other funds”. Short term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Municipal Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1.G. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposed by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

1.H. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2013. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Primary Government

Custody Credit Risk Category

Type of Deposits	Balance	Total Bank			
		1	2	3	
Insured deposits	200,000	200,000	-	-	
Uninsured deposits					
Collateralized	551,080	-	551,080	-	
Uncollateralized	-	-	-	-	
Total Deposits	751,080	200,000	551,080	-	Total Carrying Value
Petty cash					728,843
					1,120
					<u>729,963</u>

Reconciliation to Government-Wide Statements of Net Position:

Cash and cash equivalents	755,360
Less: Investments in mutual funds recorded as Cash and cash equivalents	(25,397)
	<u>729,963</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended June 30, 2013, the Town's investments consisted solely of open-ended, money-market mutual funds in a financial institution's trust department relating to debt trust accounts. At June 30, 2013, the carrying value and fair value of the money-market mutual fund investments totaled \$25,397. For purposes of the Statement of Net Position and the Statement of Cash Flows, the money-market mutual fund investments are classified as cash and cash equivalents. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis, while the money-market mutual funds are not classified as to custodial credit risk since they are not evidenced by specific investment securities.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for cash and cash equivalents held in trustee accounts as required by the Series 1991 Utility System Revenue Bond Indenture and the Series 1991 Small Community Clean Water SRF Promissory Note in the amount of \$ 25,397.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<i>Balance at July 1, 2012</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2013</i>
Governmental activities:				
Capital assets not being depreciated:				
Construction In Process	1,540	0	(1,540)	0
Land	30,000	0	0	30,000
Total capital assets not being depreciated	<u>31,540</u>	<u>0</u>	<u>(1,540)</u>	<u>30,000</u>
Other capital assets:				
Buildings	384,860	36,228	0	421,088
Vehicles, machinery and equipment	1,514,836	417,193	(66,307)	1,865,722
Infrastructure	380,888	0	0	380,888
Total other capital assets at historical cost	<u>2,280,584</u>	<u>453,420</u>	<u>(66,307)</u>	<u>2,667,698</u>
Less accumulated depreciation for:				
Buildings	132,955	9,831	0	142,786
Vehicles, machinery and equipment	1,044,150	173,485	(64,741)	1,152,894
Infrastructure	92,329	9,522	0	101,851
Total accumulated depreciation	<u>1,269,434</u>	<u>192,837</u>	<u>(64,741)</u>	<u>1,397,531</u>
Other capital assets, net	<u>1,011,150</u>	<u>260,583</u>	<u>(1,566)</u>	<u>1,270,167</u>
Governmental activities capital assets, net	<u>1,042,690</u>	<u>260,583</u>	<u>(3,106)</u>	<u>1,300,167</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction In Process	0	150,567	0	150,567
Land	164,831	2,500	0	167,331
Total capital assets not being depreciated	<u>164,831</u>	<u>153,067</u>	<u>0</u>	<u>317,898</u>
Other capital assets:				
Buildings	114,559	0	0	114,559
Vehicles, machinery and equipment	159,550	29,892	0	189,442
Utility property & improvements	1,913,653	0	0	1,913,653
Total other capital assets at historical cost	<u>2,187,762</u>	<u>29,892</u>	<u>0</u>	<u>2,217,654</u>
Less accumulated depreciation for:				
Buildings	19,366	2,864	0	22,230
Vehicles, machinery and equipment	103,543	18,802	0	122,345
Utility property & improvements	882,549	47,841	0	930,390
Total accumulated depreciation	<u>1,005,458</u>	<u>69,507</u>	<u>0</u>	<u>1,074,965</u>
Other capital assets, net	<u>1,182,304</u>	<u>(39,615)</u>	<u>0</u>	<u>1,142,689</u>
Business-type activities capital assets, net	<u>1,347,135</u>	<u>113,452</u>	<u>0</u>	<u>1,460,587</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government	
Government Activities:	
General Government	5,566
Police	37,056
EMS	3,891
Park	862
911	11,548
Street	23,670
Fire	110,244
Total depreciation expense for governmental activities	<u>192,837</u>
Business-Type Activities:	
Sewer	69,507
Total depreciation expense for business-type activities	<u>69,507</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2.D. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease purchase obligations due Ford Motor Credit:

6.5% interest with 3 annual payments of principal and interest of \$12,580 due May 6, 2015, by 2013 Ford Interceptor. Scheduled debt service payments to Police Fund.	<u>22,903</u>
Total Leases Payable Outstanding	<u>22,903</u>
Current portion	\$ 11,091
Non-current portion	<u>11,812</u>
Total Leases Payable	\$ <u>22,903</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

NOTES PAYABLE:

Promissory Note to the Central National Bank in the amount of \$95,000 with a variable interest rate of 6.0% (Chase prime + 1.0%). 180 monthly payments of principal and interest of \$867 due July 25, 2020, by building.	56,615
Promissory Note to the Central National Bank in the amount of \$79,607 with an interest rate of 6.00%. 60 monthly payments of principal and interest of \$1,539 due July 16, 2015, by park land.	36,000

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Promissory Note to the Welch State Bank in the amount of \$100,200 with an interest rate of 3.149%. 60 monthly payments of principal and interest of \$1,807 due September 19, 2017, by 2011 international fire pumper. 86,102

Series 1991 Promissory Note to the Oklahoma Water Resources Board in the amount of \$270,000 with an initial interest rate of 4.892%. The payment schedule is set semiannually at a rate set by the water resources board. The current rate for the fiscal year 05-06 ranged from 3.00% to 4.18% through June 30, 2013. 112,350

Promissory Note to the Oklahoma Water Resources Board in the amount of \$ 760,000 with an initial interest rate of 3.178%. The payment schedule is set semiannually at a rate set by the water resources board. The proposed note is for the purpose of providing \$760,000 in loan funds for the sewer facility. Semiannual Payments will begin on March 2001 in the amount \$19,000. 357,620

Total Note Payable Outstanding 648,687

Current portion \$ 93,658

Non-current portion 555,029

Total Notes Payable \$ 648,687

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	33,752	35,483	46,332	22,903	11,091
Business-Type Activities:					
Refundable deposits	24,705	7,050	7,523	24,232	-
Capital Debt Obligations	-	-	-	-	-
Notes Payable	<u>652,312</u>	<u>100,200</u>	<u>103,825</u>	<u>648,687</u>	<u>93,658</u>
Total Business-Type Activities:	<u>710,769</u>	<u>142,733</u>	<u>157,680</u>	<u>695,822</u>	<u>104,749</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes & Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2013	11,091.11	1,488.71	93,658.49	24,772.22
2014	11,812.07	767.75	99,653.81	20,754.97
2015	0.00	0.00	84,163.96	16,973.43
2016	0.00	0.00	88,120.17	13,675.27
2017	0.00	0.00	75,895.96	10,367.57
2018-2021	0.00	0.00	207,194.35	13,509.78
Total	<u>22,903.18</u>	<u>2,256.46</u>	<u>648,686.74</u>	<u>100,053.24</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The OWRB Series 1991 Promissory Note agreement contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. The OWRB Promissory Note agreement contains provision for the Town to maintain pledged revenue, of at least 125% of the annual debt service. As of June 30, 2013, debt service coverage percentage is 259% which meets both of the promissory notes requirement; also the reserve balance is \$22,584 and does meet the requirement noted above.

2.E. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCE

Balances due from and due to consist of \$2,372 due to Street & Alley fund from General fund, \$3,303 due to 911 fund from General fund, \$610 due to Proprietary fund the Pocola Municipal Authority from General fund.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2013, were as follows:

MAJOR FUNDS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Municipal Fire		\$201,846
Pocola Municipal Authority		31,281
Total General	<u>0</u>	<u>233,127</u>
MUNICIPAL FIRE:		
General Fund	201,846	
Pocola Municipal Authority	100,200	33,959
Total Fire	<u>302,046</u>	<u>33,959</u>
ENTERPRISE FUNDS:		
Pocola Municipal Authority:		
General Fund	31,281	
Municipal Fire	33,959	100,200
Total Enterprise Funds	<u>65,240</u>	<u>100,200</u>
GRAND TOTALS	<u><u>\$367,286</u></u>	<u><u>\$367,286</u></u>

NOTE 3. OTHER NOTES

3.A. GRANTS AND CONTRACTS

Oklahoma Emergency Management - The Town was awarded and received a \$7,500 grant from the Oklahoma Emergency Management Agency for operations. These funds were expended and received in the 2012-13 fiscal year.

Oklahoma Emergency Management - The Town was awarded and received a \$671 grant from the Oklahoma Emergency Management Agency for police overtime worked due to the storms. These funds were expended and received in the 2012-13 fiscal year.

OK District Attorney Council Justice Assistance Grant - The Town was awarded and received a Justice Assistance Grant from the Oklahoma District Attorney Council in the amount \$9,391 for police equipment. These funds were expended and received in the 2012-13 fiscal year.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Rural Fire Defense Grant - The Town received a grant of \$4,484 from the Oklahoma Department of Agriculture Forestry Services for fire calls.

3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2011 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2012 thru June 30, 2013 the Town of Pocola Fire Department had a beginning balance of \$28,904.27, the department has been appropriated \$28,904.27 for its benefit and has expended no funds leaving a balance of \$57,350.76 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Town participates in the Employee Pension Plan as follows:

Name of Plan/System	Type of Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Multiple Employer – Defined Benefit Plan

FIREFIGHTER’S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Pocola, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

Obtaining separately issued financial statements	Oklahoma Firefighter’s Pension and Retirement System Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
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TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

Contributions and Trend Information - Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	1,080	100%
2012	960	100%
2013	1,260	100%

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Trend information showing progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Defined Contribution Plan – Oklahoma Municipal Retirement Fund

The Town provides a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account.

The Employer hereby elects the following Plan designs:

Pick-up Option: Each employee shall be required to contribute to the Plan 3% of his or her Compensation. These contributions shall be picked up and assumed by the Employer and paid to the Fund in lieu of contributions by the Participant. No Participant shall have the option of receiving the contributed amounts directly as Compensation.

Variable Funding Option: The Employer intends to make a contribution to the Plan for the benefit of the Participants for each Valuation Period. The contribution may be varied from year to year by the Employer. The Employer contribution together with Amounts Forfeited, if any, shall be allocated in the proportion which the Compensation of each such Participant for such Valuation Period bears to the Compensation paid to all such Participants for such Valuation Period.

Vesting: For purposes of vesting, the Employer hereby elects 100% upon employment.

For the year ended June 30, 2013, the following amounts related to the defined contribution plan:

Town total payroll	\$ 565,314
Payroll for covered employees	537,227
Employer (Town) contributions made	16,117

Related-Party Investments

As of June 30, 2013, the System held no related-party investments of the Town or of its component units.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3.D. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
c. Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group and	(1)
d. Health and life	Participates with Principal Life	None

1. The Town participates in the Oklahoma Municipal Assurance Group Plans (risk entity pools).

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2013, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$11,842 at June 30, 2013, can be summarized as follows:

	<u>Town</u>	<u>Special Revenue</u>	<u>PMA</u>	<u>Total</u>
Vacation	<u>5,692</u>	<u>1,900</u>	<u>3,980</u>	<u>11,842</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

3.F. SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2013.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	209,227	209,227	209,227	-
Revenues:				
Taxes				
Sales tax	484,000	484,000	403,687	(80,313)
Use tax	90,000	90,000	95,165	5,165
Franchise tax	170,000	170,000	174,063	4,063
Cigarette tax	10,000	10,000	7,868	(2,132)
Total Taxes	<u>754,000</u>	<u>754,000</u>	<u>680,783</u>	<u>(73,217)</u>
Intergovernmental:				
Alcoholic beverage tax	22,000	42,000	31,356	(10,644)
Other Grants	0	0	17,562	17,562
Total Intergovernmental	<u>22,000</u>	<u>42,000</u>	<u>48,918</u>	<u>6,918</u>
Charges for services	<u>2,750</u>	<u>2,750</u>	<u>2,311</u>	<u>(439)</u>
Fines and forfeitures				
Court Fines	<u>300,000</u>	<u>310,000</u>	<u>303,623</u>	<u>(6,377)</u>
Total Fines and Forfeitures	<u>300,000</u>	<u>310,000</u>	<u>303,623</u>	<u>(6,377)</u>
Licenses and Permits	<u>13,500</u>	<u>13,500</u>	<u>23,323</u>	<u>9,823</u>
Interest Income	<u>500</u>	<u>500</u>	<u>442</u>	<u>(58)</u>
Miscellaneous:				
Donations	10,000	10,000	16,764	6,764
Misc. Revenue	<u>27,400</u>	<u>65,400</u>	<u>44,648</u>	<u>(20,752)</u>
Total Miscellaneous	<u>37,400</u>	<u>75,400</u>	<u>61,412</u>	<u>(13,988)</u>
Other Financing Sources:				
Capital lease proceeds	0	0	35,483	35,483
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>35,483</u>	<u>35,483</u>
Amounts available for appropriation	<u>1,339,377</u>	<u>1,407,377</u>	<u>1,365,522</u>	<u>(41,855)</u>

**TOWN OF POCOLA, OKLAHOMA
BUDETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Charges to Appropriations (Outflows):				
Clerk:				
Materials and supplies	100	100	0	100
Other services and charges	100	100	0	100
Total Clerk	200	200	0	200
General Government:				
Personal services	105,205	109,205	94,976	14,229
Materials and supplies	16,200	24,200	24,661	(461)
Other services and charges	110,375	160,175	112,689	47,486
Capital outlay	20,000	38,900	18,078	20,822
Total General Government	251,780	332,480	250,404	82,076
Police:				
Personal services	482,213	512,713	405,251	107,462
Materials and supplies	62,800	65,100	43,468	21,632
Other services and charges	94,900	105,565	68,397	37,168
Capital outlay	84,471	134,190	57,883	76,307
Debt service	12,730	36,030	48,547	(12,517)
Total Police	737,114	853,598	623,546	230,052
EMS:				
Personal services	7,683	8,418	8,407	11
Materials and supplies	4,000	4,500	4,002	498
Other services and charges	20,000	22,800	8,791	14,009
Capital outlay	5,000	8,200	6,082	2,118
Total EMS	36,683	43,918	27,282	16,636
Flood Plain:				
Other services and charges	1,500	1,500	0	1,500
Total Flood Plain	1,500	1,500	0	1,500
Park:				
Materials and supplies	4,000	4,000	0	4,000
Other services and charges	5,800	5,800	1,627	4,173
Capital outlay	14,700	35,300	31,351	3,949
Total Park	24,500	45,100	32,978	12,122
Other Financing Uses:				
Transfers to other funds	270,881	273,286	233,128	40,158
Total Other Financing Sources	270,881	273,286	233,128	40,158
Total Charges to Appropriations	1,322,658	1,550,082	1,167,338	382,744
Ending Budgetary Fund Balance	16,719	(142,705)	198,184	340,889

TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - STREET AND ALLEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	238,876	238,876	238,876	-
Revenues:				
Taxes	242,000	242,000	201,843	(40,157)
Intergovernmental	34,000	34,000	39,439	5,439
Charges for services	600	600	0	(600)
Interest income	600	600	326	(274)
Miscellaneous	1,000	5,010	8,099	3,089
Transfers in	0	0	0	0
Amounts available for appropriation	<u>517,076</u>	<u>521,086</u>	<u>488,583</u>	<u>(32,503)</u>
Charges to Appropriations (Outflows):				
Street and Alley				
Personal services	123,772	128,822	108,670	20,152
Materials and supplies	138,465	164,765	149,577	15,188
Other services and charges	56,450	72,600	43,113	29,487
Capital outlay	26,976	68,076	58,774	9,302
Total Street and Alley	<u>345,663</u>	<u>434,263</u>	<u>360,134</u>	<u>74,129</u>
Total Charges to Appropriations	345,663	434,263	360,134	74,129
Ending Budgetary Fund Balance	<u>171,413</u>	<u>86,823</u>	<u>128,449</u>	<u>41,626</u>

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - MUNICIPAL FIRE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	283,228	283,228	283,228	-
Revenues:				
Intergovernmental	4,450	4,450	4,484	34
Charges for services	20,000	20,000	620	(19,380)
Interest income	500	500	487	(13)
Miscellaneous	500	500	938	438
Capital lease proceeds	215,000	215,000	0	(215,000)
Transfers in	242,000	242,000	302,046	60,046
Amounts available for appropriation	<u>765,678</u>	<u>765,678</u>	<u>591,803</u>	<u>(173,875)</u>
Charges to Appropriations (Outflows):				
Municipal Fire				
Personal services	33,382	37,312	19,457	17,855
Materials and supplies	19,500	19,500	5,034	14,466
Other services and charges	110,850	125,825	69,434	56,391
Capital outlay	215,000	379,436	279,712	99,724
Debt service	0	0	0	0
Transfers out	21,441	37,706	33,959	3,747
Total Municipal Fire	<u>400,173</u>	<u>599,779</u>	<u>407,596</u>	<u>192,183</u>
Total Charges to Appropriations	400,173	599,779	407,596	192,183
Ending Budgetary Fund Balance	<u><u>365,505</u></u>	<u><u>165,899</u></u>	<u><u>184,207</u></u>	<u><u>18,308</u></u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
 - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules presented for purposes of additional analysis.

TOWN OF POCOLA, OKLAHOMA
COMBINING BALANCE SHEET-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	SPECIAL REVENUE FUNDS	Total Nonmajor Governmental Funds
	Emergency 911	
ASSETS		
Cash and cash equivalents	36,111	36,111
Due from other funds	3,303	3,303
Total Assets	<u>39,414</u>	<u>39,414</u>
LIABILITIES		
Due to other funds		0
Total Liabilities	<u>0</u>	<u>0</u>
FUND BALANCES		
Unreserved, reported in nonmajor special revenue funds	39,414	39,414
Total Fund Balances	<u>39,414</u>	<u>39,414</u>
Total Liabilities and Fund Balances	<u>39,414</u>	<u>39,414</u>

TOWN OF POCOLA, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS	Total Nonmajor Governmental Funds
	Emergency 911	
Revenues:		
Franchise tax	8,926	8,926
Investment income	74	74
Miscellaneous	233	233
Total Revenues	<u>9,233</u>	<u>9,233</u>
Expenditures:		
Current:		
Emergency 911	7,880	7,880
Capital Outlay	0	0
Total Expenditures	<u>7,880</u>	<u>7,880</u>
Excess (deficiency) of revenues over expenditures	1,353	1,353
Other Financing Sources (Uses):		
Transfers in	0	0
Transfers out	0	0
Total Other Financing Sources (Uses):	<u>0</u>	<u>0</u>
Net Change in fund balances	1,353	1,353
Fund Balances-Beginning	38,061	38,061
Fund Balances-Ending	<u>39,414</u>	<u>39,414</u>

TOWN OF POCOLA, OKLAHOMA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	EMERGENCY 911			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	38,061	38,061	38,061	0
Resources (Inflows):				
Franchise tax	10,000	10,000	8,926	(1,074)
Investment Income	150	150	74	(76)
Miscellaneous	0	0	233	233
Transfers in	0	0	0	0
Amounts available for appropriation	48,211	48,211	47,294	(917)
Emergency 911:				
Materials and supplies	200	800	521	279
Other services and charges	16,700	16,700	7,359	9,341
Capital outlay	25,000	25,000	0	25,000
Transfers out	0	0	0	0
Total Emergency 911	41,900	42,500	7,880	34,620
Total Charges to Appropriations	41,900	42,500	7,880	34,620
Ending Budgetary Fund Balance	6,311	5,711	39,414	33,703

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Pocola, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pocola, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Pocola, Oklahoma's basic financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Pocola's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pocola's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Pocola's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected

KERSHAW CPA & ASSOCIATES, PC

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MUSKOGEE, OKLAHOMA 74401
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WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

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PONCA CITY, OKLAHOMA 74601
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and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 13-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pocola's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Pocola's Response to Findings

Town of Pocola's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Pocola's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of

KERSHAW CPA & ASSOCIATES, PC

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FAX (580) 762-1047

that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

December 26, 2013

TOWN OF POCOLA, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2013

INTERNAL CONTROL FINDINGS:

Item 13-01 - Segregation of Duties

Criteria - The segregation of duties is important to have adequate control over financial assets.

Condition - The Town has the same employees performing work normally segregated between two or more employees, including receiving funds and posting those funds to the Town's books. This is a repeat condition from the prior years.

Cause - The Town's small size limits the amount of staffing needed to properly segregate the clerk and treasurer functions.

Effect - The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected within a timely manner.

Recommendation - The lack of segregation of duties is a common deficiency in Town's the size of Pocola. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Response - The Board continues to be actively involved in the operations of the Town.